



PROMOTING INDUSTRIAL ZONES AND INVESTMENT MOBILIZATION
USAID WB/G SO1: EXPANDING ECONOMIC OPPORTUNITIES
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**PIEFZA Investment Promotion Study Tour
Trip Report**

SUBMITTED ON

JULY 2001

TO THE

USAID MISSION TO THE WEST BANK AND GAZA
MARGOT ELLIS, CTO

BY

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INTRODUCTION

Al Jidara Investment Services was retained to arrange and facilitate a study tour of Jordanian economic development agencies for the Palestinian Industrial Estates and Free Zones Authority (PIEFZA) to determine specific best practices for PIEFZA in industrial property and marketing strategies, functions, systems and procedures- through meetings and exchanges with their Jordanian counterparts. At each meeting, the Jordanian institutions were requested to give a presentation or general briefing, followed by some side- meetings to take place between the various counterparts.

It was jointly decided (together with the PRIZIM Institutional Development Advisor) that the following institutions would be visited, as their work and development are of most interest to the USAID- funded Promoting Industrial Zones and Investment Mobilization Project (PRIZIM) and PIEFZA as a whole and the selected participants in particular:

- The Jordan Investment Board
- A private QIZ: The Specialized Investment Compounds/ Al Tajamouat Industrial City (in addition to company/ies on the premises)
- The Jordanian Industrial Estates Corporation
- A public QIZ: Al Hassan Industrial Estate (in addition to company/ies on the premises)
- The Aqaba Special Economic Zone
- The Free Zones Corporation

The Tour was reported in the business section of Jordan's most widely read Arabic daily newspaper, Al Rai, on the 9th August 2001, in which Mr. AbelRahman Naim, Head of the Customs Department at PIEFZA hailed the Jordanian experience with free zones and industrial estates, with a particular reference to the Aqaba Special Economic Zone.

In the section that follows, the Tour itinerary is presented (complete with contact information and personnel met with), followed by briefs on each of the visited institutions.

STUDY TOUR ITINERARY: JORDAN, 22-26 July 2001

<u>DATE</u>	<u>INSTITUTION</u>	<u>PERSONNEL MET WITH</u>
Sunday, 22 nd July 2001	<u>Jordan Investment Board</u> P.O. Box 893, Amman 11821 Jordan Tel: +962-6 5531081/2/3 Fax: +962-6 5521084 E-mail: info@jib.com.jo www.jordaninvestment.com	<ul style="list-style-type: none"> • Ms. Reem Badran, <i>Director General</i> • Mr. Fawaz Nahar, <i>Head/ Investor Relations</i>
	<u>Specialized Investment Compounds Co. plc</u> Al-Tajamouat Industrial City- A Qualified Industrial Zone (QIZ) P.O. Box 117, Amman 11591 Jordan Tel: +962-6 4027525 Fax: +962-6 4027535 E-mail: info@altajamouat.com www.altajamouat.com	<ul style="list-style-type: none"> • Mr. Halim Salfiti/ <i>General Manager</i> • Ms. Janset Kasht, <i>Assistant Manager/ Business Development</i> • Mr. Shawky Ziadeh, <i>Manager/ Engineering Department</i>
	<u>United Garment Manufacturing Company</u> Al-Tajamouat Industrial City (QIZ) P. O. Box 100, Amman 11636 Jordan Tel: +962-6 4020512 Fax: +962-6 4020517 E-mail: emad@ungrm.com	<ul style="list-style-type: none"> • Mr. Emad El-Shamma', <i>General Manager</i>

Monday, 23 rd July 2001	<u>Jordanian Industrial Estates Corporation</u> P. O. Box 17, Amman 11512 Jordan Tel: +962-6 4022101/3 Fax: +962-6 4021194 E-mail: info@jiec.com.jo www.jiec.com.jo	<ul style="list-style-type: none"> • Mr. Mohammed Abu-Atmeh, <i>Assistant General Manager</i> • Dr. Kloub,
	<u>Al Hassan Industrial Estate</u> <i>Qualifying Industrial Zone (QIZ)</i> P. O. Box 40, Ramtha 21467 Jordan Tel: +962-2 7395152/3 Fax: +962-2 7395248 E-mail: qiz@jiec.com.jo	<ul style="list-style-type: none"> • Mr. Ishaq Hijazeen, <i>Manager</i> • Mr. Abdalla Al-Jahmani, <i>Chief/Investor Services Bureau</i>
	<u>Arab Engineering Industries Co. Ltd.</u> <i>Al Hassan Industrial Estate (QIZ)</i> P. O. Box 1, Ramtha 21467 Jordan Tel: +962-2 7395530 Fax: +962-27395188 E-mail: admin@aeico.com.jo www.aeico.com	<ul style="list-style-type: none"> • Mr. Rami Khreis, <i>General Manager</i> • Dr. Bilal Al-Shaer, <i>Manager/Planning and Information Department</i>
Tuesday, 24 th July 2001	<i>Travel to Aqaba</i>	

Wed., 25 th July 2001	<u>Aqaba Special Economic Zone Authority</u> P. O. Box 2565, Aqaba 77110 Jordan Tel: +962-3 2014200 Fax: +962-3 2015600 E-mail: aseza@nic.net.jo www.aqabazone.com	<ul style="list-style-type: none"> • Dr. Ahmad Refai/ <i>Commissioner</i> • Mr. M. Barrari/ <i>Financial Manager</i> • Mr. O. Mufti/ <i>Administration Manager</i> • Mr. S. Kilani/ <i>Investment Section</i> • Mr. T. Shaban/ <i>Promotion Section</i> • Mr. B. Na'em/ <i>Customs Section</i>
Thurs., 26 th July 2001	<u>Free Zones Corporation</u> P. O. Box 20036, Amman Jordan Tel: +962-5 3826429 Fax: +962-5 3826430 E-mail: frez@amra.nic.gov.jo www.free-zones.gov.jo	<ul style="list-style-type: none"> • Mr. Yassin Rawashdeh, <i>Assistant General Manager</i> • Mr. Ahmad Qaisi, <i>Administration Manager</i> • Mr. Omar Weidan, <i>Director, Research and Studies</i>

PROFILES OF VISITED INSTITUTIONS

I. Jordan Investment Board

The Government of Jordan established the Jordan Investment Board (JIB) in 1995, with the aim of encouraging and facilitating investment in Jordan. Its overall goal was to achieve development and modernization of the economy through improving the investment environment and investor services.

Much progress has been made in the last 4 years and Jordan finds itself among the more attractive investment sites in the Middle East- one study has awarded it an overall score of 77% in the commercial policy matrix, the highest in the region.

The Board's responsibilities include:

- marketing Jordan internationally,
- creating linkages between national and foreign companies through joint ventures,
- assisting investors at all stages of the investment cycle, and
- acting as a contact/ liaison between investors and other government bodies whose services are needed by the investor.

In addition to the above, the JIB's services also include:

- identifying investment opportunities,
- facilitating registration and licensing of investment projects,
- gathering investment data and technical information and sharing these with interested investors,
- arranging meetings between potential private sector partners and government officials,
- providing ongoing support and problem-solving for the project once it has been established,
- facilitates arrival and departure of the investor in transit through the Queen Alia International Airport.

Incentives and Benefits:

A. Income and Social Service Taxes Exemptions

Projects approved by the Investment Committee enjoy a ten year exemption from income and social services taxes at the following rates depending on the sector and the geographical area in which the project is located:

Projects in zone A: 25%

Projects in zone B: 50%

Projects in zone C: 75%

Where a project is expanded, improved or modernized, so as to increase its production capacity, it shall receive an additional year of exemption for every increase of production, which is not less than 25%, for a maximum of four years.

B. Customs Tax Exemptions

- Imported fixed assets required for the project are exempt from customs taxes and fees for a period of three years starting from the date approval is granted.
- Imported fixed assets needed for expanding, modernizing or developing a project are exempted from customs taxes and fees, if this results in an increase of a minimum of 25% of the production capacity.
- Spare parts imported for the project are exempted from taxes and fees provided that their value does not exceed 15% of the total value of the fixed assets utilizing these spares.
- Hotel and hospital projects are granted extra exemptions from custom taxes and fees on their imports of furniture and supplies for the purpose of renewal, once every seven years.
- Any increase in value of imported fixed assets is exempted from customs taxes and fees if the increase results from a rise in prices, freight charges or changes in exchange rates.

Taxes are defined in the Investment Law to be *“taxes that are levied by virtue of the laws in force on fixed assets except for municipality fees,”* whereas fees are defined to include *“import, customs and other fees provided for in other legislation in force that are levied on different fixed assets except for municipality fees.”*

Qualified Industrial Zones

A QIZ or a “Qualified Industrial Zone” is any area that has been specified as such by the US Government, and which has been designated by the local authorities as an enclave where a product manufactured in the zone may enter US markets without payment of duty or excise taxes and without the requirement of any reciprocal benefits. This was an initiative established by US Congress in 1996 to support the peace process in the Middle East.

In order to obtain duty free treatment, products must be “substantially transformed” goods, with at least 35% of their value added in Israel, a Jordanian QIZ or the West Bank and Gaza. Of that 35%, a minimum of 11.7% must be added in a Jordanian QIZ, 8% in Israel and the remaining 15.3% can come from either a Jordanian QIZ, Israel or the West Bank and Gaza.

Investors generally save by manufacturing in a QIZ is the amount of the US tariff on any specified good. Generally speaking, US tariffs on clothing and textile goods are relatively high, which makes production of these goods in QIZs especially attractive.

The US Government has designated ten industrial parks in Jordan as QIZs: both public and private. One of each was visited in Study Tour, and these are reviewed below.

II. Al Tajamouat Industrial City

Specialized Investment Compounds Co. Plc. (Al Tajamouat) is a public shareholding company with a capital of JD10 million (approximately USD14 million). The Company was registered at the Jordanian Ministry of Industry and Trade in August 1994 and started conducting business during the beginning of 1995. It is the largest privately - owned industrial estate in Jordan.

The main objectives of the Company are to invest in and develop various plots of land into industrial, commercial, housing and tourist compounds for sale or investment by the Company. The concept is to design, construct, market and finance the sale of a wide range of industrial buildings and workspace for medium- light industries complete with all necessary infrastructures within the City. After- sales services to the investor are also provided in the various compounds.

It currently occupies a 300,000m² plot of land an equivalent future construction area on multi-story floors. Al Tajamouat has already signed on with 6 QIZ companies with an anticipated employment of approximately 2500 people.

III. Jordan Industrial Estates Corporation

The Jordan Industrial Estates Corporation (JIEC) was established in 1980 to provide an efficient and organized management approach to the growing manufacturing industry in Jordan. Developing this system on a wider scale can also serve towards controlling industrial pollution and thereby averting further degradation to the environment of urbanized areas within the Kingdom.

The objectives of the Corporation are to:

- a) Study, plan, establish and manage all Industrial Estates in the Kingdom.
- b) Encourage the establishment of industrial projects in the Industrial Estates in various parts of the Kingdom.
- c) Encourage the relocation of existing industries in the Industrial Estates by issuing both profession and building licenses.
- d) Encourage the distribution of industries in different parts of the Kingdom.
- e) Take appropriate actions which may lead to the development and complementarity of industries within the industrial Estates and overcome any difficulties facing them.

To fulfill its objectives, JIEC commenced its activities by establishing its first estate at Abdullah II bin Al-Hussein Industrial Estate near Amman. This was followed in 1989, by developing another project, Al- Hassan Industrial Estate, located in Irbid, completed by 1991.

The bases for choosing Industrial Estates:

- To be located outside Regulated Zones.
- To have a site that caters for expected future industries in the governorate.

- To be nearby populated areas to support industries with skilled labors.
- To be close to the highways that connects Jordan with the neighboring countries.
- To be close to export centers.
- To be spread in all governorates of the country.
- To be nearby the supplying main services.
- To have a suitable topography.

The various investment incentives at Industrial Estates include the following:

- Provision of land with the required services and/ or Standard Factory Buildings (SFBs).
- Provision of an alternative of either buying or renting plots of land or SFBs.
- A moderate selling price and rental rate of developed land and SFBs.
- In addition to any exemptions provided by the Investment Promotion Law (No. 16 for 1995), Industrial Investors are granted two years of income and social services tax holiday commencing from the date of commercial production.
- Permanent exemption from land and building tax within the Industrial Estates.
- Exemption or reduction of most municipalities' fees.
- Necessary measures are taken to protect environment against pollution caused by industries including pollution of water and air.

Advantages of Industrial Estates:

The main purpose of establishing JIEC has been to encourage the manufacturing industry within Jordan to grow in an organized manner, and thus prevent the uncontrolled expansion of industrial zones into urban areas. Furthermore, the aim is to provide the industry with an efficient system for starting the new manufacturing plants.

On the 15th of Sept. 1997 JIEC opened an Investors Services Bureau (ISB) for strengthening a constructive investment atmosphere within the estates -Abdullah II bin Al-Hussein Industrial Estate and Al-Hassan Industrial Estate - by simplifying and speeding up investors affairs within the estates, and other concerned authorities.

The following benefits and advantages are offered to all investors who wish to establish their industrial factories at one of JIEC's Industrial Estates. Naturally, JIEC encourages and supports enterprises that are willing to relocate their facilities to JIEC's Industrial Estates.

Cost Saving

- Opportunities for a wide selection of options for siting the facilities, which include the location, size and type, of land or building. All sites are provided with the necessary infrastructure networks: roads, water supply, electricity, telecommunications services, sewage treatment plant and laboratory.
- Savings in capital and operational costs by acquiring serviced lands and industrial buildings at competitive rates.

- Exemption from full income and social services taxes for a period of two years in addition to other incentives and tax holidays offered according to the provisions of the Investment Promotion Law.
- Cancellation of all property taxes that are usually levied on land and buildings.
- Major reductions in the fees associated with planning and other municipal services.
- Possibility of cooperation with other compatible and complementary industries and industrial services that are located within the same industrial estate.
- Accessibility to nearby urban centers that can provide the required manpower.
- Ease of compliance with the environmental rules and regulations, as they are implemented and monitored by JIEC throughout the estate in an organized manner

Time Saving

- One of the main advantages of joining an industrial estate is the rationalization of the process leading to establishing the enterprise and the subsequent operation of the plant.
- Investors will be dealing only with JIEC, and if the conditions are agreeable they may proceed immediately with installing their equipment inside an already constructed building suitable for industrial purposes.
- All properties are connected to the existing infrastructure network.

Flexible Services

JIEC exercises powers and authorities of the Municipalities in the Kingdom within the Industrial Estates, therefore, all necessary permits needed for establishing an enterprise will be issued directly by JIEC. These include:

- Land use planning and zoning within the Industrial Estates.
- Construction license.
- Building Occupancy permits.
- Profession Permits.

Marketing Services

JIEC has been active in promoting products manufactured within its industrial estates and supports the manufactures through many venues:

- Each estate includes a permanent showroom within the complex. This is reserved for the industrial companies operating within the estate, where each establishment can exhibit, free of charge, its range of products.
- JIEC takes a special interest in meeting officials and business delegates and in coordinating with other concerned industries for possible cooperation, by introducing them to the facilities available and the manufacturing capabilities within the estate.
- Other services offered by JIEC include providing technical and management consultations, conducting specific researches and studies, arranging for workshops and seminars regarding economic and trade issues that are relevant to the industry.

Cooperation between industrial enterprises that are located within the same estate has been one of the targets promoted by JIEC management. This approach has proved its success, where new complementary manufacturing plants were established by utilizing basic products manufactured by others within the estate.

Other companies are benefiting from the technical equipment and sophisticated machinery that are available within the estate, and this has helped to improve the productivity and save extra investments. The establishment of “Investors Associations” at all industrial estates has consolidated this spirit of cooperation among manufacturers. The purpose of such associations has been to strengthen joint collaboration among manufacturers, which can be achieved by performing joint studies and participation in marketing campaigns. JIEC has been an advocate and keen supporter for this successful cooperation.

Protecting the Environment

One of the objectives of JIEC is to promote the principles of a sustainable environment. Its duty is to protect the environment inside all industrial estates and prevent industrial pollution. In this regard, planning of the industrial estates includes the provision of treatment facilities for industrial wastewater effluent generated within the estates.

Furthermore, it is the responsibility of JIEC to perform the cleansing services within the estate and cater for the disposal of municipal waste. To help the industries comply with the regulations, the professional team employed by JIEC provides technical consultation to these industrial firms. This applies especially for the industry’s obligations regarding treatment and disposal, in a professional and orderly manner, of their industrial waste and the emission of pollutants into air and water.

This includes ensuring that the plants are provided with the necessary equipment, identified at the planning stage, to avoid future modifications and additional costs.

Also, JIEC pays special attention to increasing the green zone areas within the industrial estates, which represent about 10% of the total land area of Abdullah II bin Al-Hussein Industrial Estate at Sahab and an area of about 12% of the total land at A-Hassan Industrial Estate at Irbid.

IV. Al-Hassan Industrial City/ QIZ

Al-Hassan Industrial City (Al-Hassan) was the first Qualifying Industrial Zone (QIZ) in Jordan, located in Irbid, a city 100km north of the capital, Amman. It was officially designated QIZ status in March of 1998. Since then, over fifty international factories have set up shop in Al-Hassan, seeking to benefit from the QIZ status that provides them with duty free and quota free access to the US market.

These factories have occupied an area of over 500,000m² and have invested in over USD 250 million. They are expected to have created over 20,000 job opportunities in a record time of less than 3 years. A number of various internationally recognized

brand names are being manufactured in Al-Hassan Industrial City as Jordach, Motorola, Airway, Pierre Cardin, GAP, Ralph Lauren and Victoria's Secret.

V. Aqaba Special Economic Zone

In August 2000, the Jordanian Parliament passed the Aqaba Special Economic Zone Law. This law established the Aqaba Special Economic Zone Authority (ASEZA) as the statutory institution empowered with regulatory, administrative, fiscal and economic responsibilities within ASEZ. ASEZA is a financially and administratively independent authority, acting as the legal heir of both the Aqaba Regional Authority and the Aqaba Municipality.

The Aqaba Special Economic Zone Law simplifies all procedures, licenses and approvals enabling the Authority - from one single location in Aqaba - to facilitate investors to set up and operate a business.

The ASEZA is governed by six ministerial-level Commissioners, each responsible for a major area of regulatory or operational activity.

The ASEZA strives to create a globally competitive center for tourism and recreational services, hi-tech industry, multi-modal transport, professional services, logistics and value-added industries. It is deeply committed to creating and preserving Aqaba as a competitive international investment location. ASEZA maintains a streamlined investment environment and encourages private sector participation in all aspects of the zone's development and operations. This ensures the provision of world-class infrastructure and services to Aqaba's investors, residents and visitors. ASEZA is genuinely committed to providing:

- A one-stop investment center that serves as a single point of decision making that will facilitate business start-up and smooth operation;
- A package of streamlined investment and operating procedures, including simplified business registration and licensing;
- A model approach to environmentally sustainable development and governance;
- A world-class business environment that maximizes private sector participation in duty-free, tax-advantaged and flexible regulatory operations system.

The Aqaba Special Economic Zone offers businesses and residents a planned environment consisting of high quality infrastructure, facilities, and support services, as well as an attractive package of incentives and liberal policy environment to help increase your operating efficiency. It is a private sector-driven development initiative that maximizes private sector participation in a duty free, tax -advantaged and flexible regulatory operations environment.

VI. Free Zones Corporation

In the interest of creating investment attraction areas for the development of export industries, international trade exchanges and transit trade, the Free Zones experiment began in Jordan in 1973, where a small Free Zone was established in the Port of Aqaba. When this experience proved feasible, the Government took the initiative to establish the Free Zones Corporation in 1976 as an independent governmental corporation to undertake the expansion in establishing and developing free zones as well as placing them in the service of the national economy.

Today, the Free Zones Corporation's objectives are as follows:

- To attract the local and foreign capitals as well as employ same within the country in the various investment activities;
- To introduce technology and technical skills into the Kingdom;
- To employ the local savings and invest same in the industry, trade and various economic activities within the Zones;
- To activate the transport sector and other services
- To provide work opportunities to the labour market and enhance their skills
- To develop new areas within the Kingdom through the establishment of investment projects
- To encourage the establishment of export industry and activate the transit trade
- To promote the unique role of the private sector in the establishment of the private and joint free zones which uses the local raw materials in the production inputs
- To support the national economy with hard currency to bolster the balance of payments
- To strengthen the upstream and downstream links of the commodities and services production sectors in the free zones with its production complements in the multiple economic activities in Jordan in order to develop the national economy.

Among the Corporations' facilities and services to the investor are with regard to bringing in and taking out of goods:

- The provision of places necessary for completing such formalities by integrated customs staff in every free zone.
- Securing the availability of representatives of other relevant departments (e.g., Industry and Trade, Agriculture, Health Licensing, Notary Public, etc.) in a manner that would guarantee the completion of customs formalities within the Free Zone premises in the required speed and smoothness.
- Provision of all infrastructures (water, electricity, communications networks to include telex, fax, phones and internet connection, post and roads).
- Provision of halls which contain offices to the companies concerned with clearance, transport, handling and insurance.

Foreign and local companies established in free zones enjoy the following incentives and benefits:

- Exemptions of profits from income and social service taxes for a period of 12 years from the commencement of operation

- Salaries of non- Jordanian employees working in the free zone are exempted from income and social services taxes
- Goods imported into the free zone are exempted from customs duties, import fees and sales taxes. Goods exported from the zone are exempted from all taxes and fees as well.
- Exemption of products produced in the free zone for domestic consumption from customs fees and taxes limited to the value of materials, costs, local expenditures involved in the products manufacturing, provided this value is approved by the Free Zone Committee
- Buildings constructed therein are exempted from licensing and real estate taxes
- Freedom to repatriate capital invested and profits earned
- Industrial projects are exempted of 10% of the rent of land and installations leased for this purpose.